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SUBJECT: SMALL FARMER GROUPS ALSO WANT TO RENEGOTIATE PTPA

¶1. (U) SUMMARY. With the U.S. Congress asking whether there should be enhancements to the labor provisions of the PTPA, a minority group of farm journalists, academics and small farmers have begun to call for the renegotiation of the PTPA. Overall support among Peruvians for the PTPA remains strong, yet these groups, some of whom had been active opponents before the Peruvian Congress voted 79-14 last June to approve the PTPA, argue that the delayed consideration of the PTPA by the U.S. Congress presents an opportunity to correct "mistakes" made in negotiating the agreement. Some have visited Members of the U.S. Congress and one of the organizations, Conveagro, has written an open letter to the Congress. As PTPA ratification is delayed, the Peruvian government may see more vocal opposition to the current agreement from small farmers. END SUMMARY.

PERUVIAN AG INTERESTS ARGUE FOR ADDENDUMS TO PTPA

¶2. (U) Recent press articles in farm journals and in mainstream newspapers have begun urging the government to reconsider certain agricultural agreements in the PTPA. With the PTPA's consideration delayed in the U.S. Congress, some agricultural leaders and academics believe that Peru has a second chance to correct its "mistakes" in negotiating the agricultural section of the PTPA.

IF LABOR IS BEING LOOKED AT AGAIN, WHY NOT AGRICULTURE?

¶3. (U) Many of those calling for renegotiation had actively opposed the PTPA during the Toledo Administration. This includes Luis Zuniga, the president of small farmers group Conveagro and a member of the President's APRA party, who lost his 2006 bid for a Congressional seat. However, most critics of the agriculture chapter admit that the overall PTPA benefits to Peru are so great that they outweigh the agricultural drawbacks and that the country should stand behind the agreement so that it is enacted without delay. Nevertheless, with the recent media focus here on the possible re-opening of the labor chapter in the PTPA, these contacts also argue that the agriculture chapter should also be reconsidered.

COUNTERING U.S. SUBSIDIES

¶4. (U) Those arguing for renegotiation believe that critical agricultural issues, such as excessive U.S. agricultural subsidies, need to be addressed via an addendum to the agreement or a side letter. They argue that subsidized U.S. agricultural products will flood Peru's markets and ruin the Peruvian agricultural sector, and that free access to Peru's markets for competing U.S. products must

be prevented. Specifically, they are trying to enlist support for a side agreement or addendum that will allow protectionist measures to remain in place so long as the United States maintains agricultural subsidies. Others have also argued for permanent safeguards for certain products, for delayed access to Peru's most sensitive markets, and for a revision of intellectual property agreements in the PTPA. These strategies seek to protect Peruvian farmers, mostly small farmers - seen as the biggest losers in the PTPA - and insulate them from the perceived distortions created by U.S. agricultural subsidies.

15. (U) In a January 14 letter to the U.S. Congress, Conveagro raised a number of concerns regarding PTPA and argued that the agreement must be renegotiated to prevent "social conflicts" from arising, which could then force those adversely affected by the PTPA to migrate to the jungle regions and shift to coca production. Conveagro states that the majority of Peru is opposed to PTPA and that fairness dictates that the agreement be renegotiated to: prevent the reintroduction of agricultural subsidies as permitted in Article 2.16, delay tariff elimination until U.S. agricultural subsidies cease, allow the application of safeguards during the lifetime of PTPA as well as increase the number of sensitive products that may be protected via safeguards, and allow Peru to maintain its price band system.

16. (U) The Peruvian government has committed itself to pay compensation to farmers displaced by key U.S. exports of wheat, corn, and rice. However, opponents of the PTPA believe that the promises of compensation for farmers will amount to little, if anything at all. Contacts from the dairy sector as well as agricultural leaders that were opposed to the agriculture chapter during negotiations specifically noted that the proposed compensation amounts continue to decrease.

17. (SBU) Officials within the Ministry of Agriculture's Agricultural Planning Office have told us that compensation payments would involve only a slight increase from the payments currently being disbursed through SUNAT's (Peru's IRS) "formalization" program for the sensitive products of cotton, yellow corn, and wheat. (The GOP is paying producers to keep records of sales and other transactions to assist them in better understanding the movement of specific crops and, more importantly, to tax their sales.) The officials noted that while a few other crops might require compensation as well, the GOP could convert the expiring "formalization" payments into compensation and that it already had an effective payment infrastructure in place.

COMMENT

18. (SBU) Many, if not most, of those calling for renegotiation, have opposed the PTPA from its inception. The current criticisms may come as a result of uncertainty over compensation payments for certain sensitive commodities, which could counterbalance the potential adverse effects to Peruvian small farmers. Our Ministry contacts have assured us that compensation will be available, yet many in the agricultural sector still fear that the payments will be inconsequential at best. Nevertheless, the increasing calls for side letter agreements or addenda from the farm sector could still delay the implementation of the PTPA. While it is unlikely that President Garcia will agree to pursue additional addendums, the agreement as a whole could face increased dissent domestically if calls for agricultural revisions increase and Congressional consideration of PTPA continues to be delayed. Should this occur, the PTPA's chances for successful passage and implementation would be further endangered. This prospect adds urgency to U.S. Congressional consideration of PTPA for the Garcia Administration, Peruvian exporters, and U.S. supporters of PTPA.

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